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USAID Macroeconomic Project

Contract Number AID-176-I-11-00008

Kazakhstan and Turkmenistan Quarterly Report April-June 2014

USAID MEP is implemented
by Deloitte Consulting, LLP.

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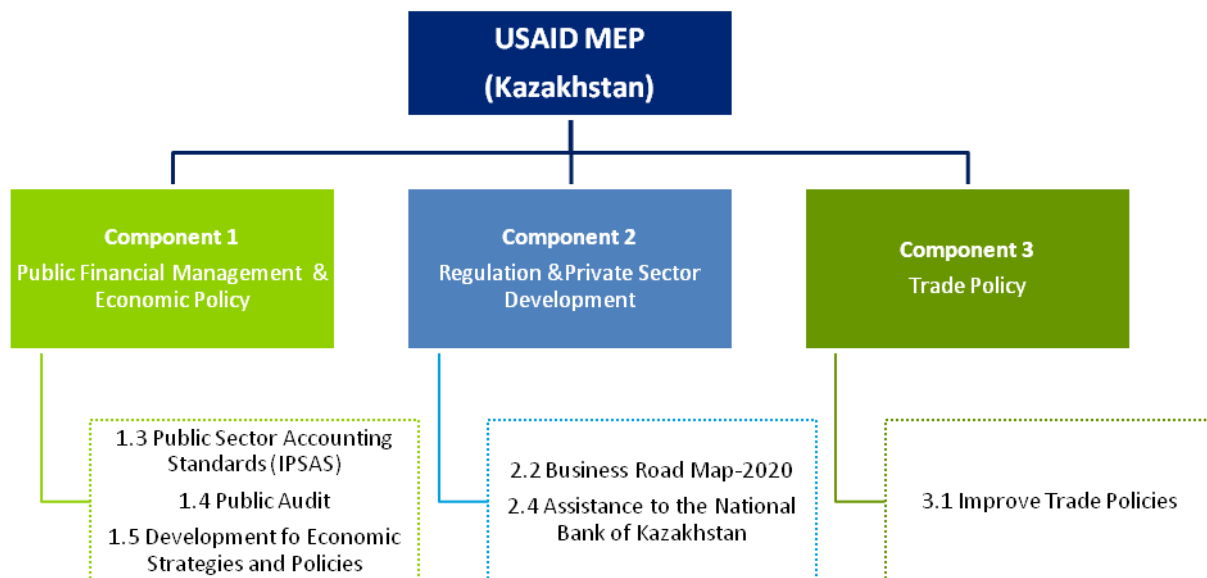
I. Project Management Overview

In late January 2014, MEP's contract was extended for another 24 months in Kazakhstan, increasing the total contract ceiling from \$12 million to \$16.3 million. Contract extension prompted extensive planning activities with beneficiaries of technical assistance in Kazakhstan and resulted in certain of the activities discussed below. The National Bank of Kazakhstan receives ongoing technical support from the MEP resident advisor. Local project experts in both Kazakhstan and Turkmenistan provide ongoing assistance to public and private sector counterparts with short-term advisors drawn upon as needed to support approved activities.

II. MEP Kazakhstan

Country Overview

After finalizing the contract modification, in Kazakhstan MEP was extended through December 31, 2015 and its funding ceiling was brought up by US \$4.27 million. Lack of traction with counterparts led to removal of Subcomponent 1.2: Public-Private Partnership from the contract.



Quarterly Overview

MEP continued to work in cooperation with the Department of Methodology of Budgetary Procedures of the Ministry of Finance (MoF) in developing guidelines on accounting for income in accordance with IPSAS 23, "Revenue for non-exchange transactions," with the result that draft guidelines on accounting for corporate income tax and value added tax were developed and submitted for consideration to the MOF Working Group.

Working in close cooperation with the Accounts Committee, efforts continued to identify a candidate to replace the MEP Regional Audit Advisor who resigned during the previous quarter. While finding a replacement candidate has proven to be a challenge, we are optimistic in working with the Accounts

Committee a recently identified will be vetted and approved, and new work plan determined to support the continuing needs of the Accounts Committee.

Considerable time and attention was devoted to designing and planning an international trade policy conference on 'Expanding Central and South Asia's Regional Trade' which MEP was to host at the end of the quarter but which for concern over a potential conflict with an event in planning by the Government of the Republic of Kazakhstan was set back to the beginning of the next quarter. In spite of the challenges discussed below, we are cautiously optimistic the trade policy conference will be reasonably well-attended and successful in reaching its goals and objectives.

In accordance with our work plan with National Chamber of Entrepreneurs (NCE), MEP specialists participated in working group activities that contributed to what are reported by NCE as 410 amendments and additions to current legislation in the field of entrepreneurship, 239 of which are said to have been approved by the Interdepartmental Commission on improving the permit system for regulating the activities of entrepreneurs in Kazakhstan.

Highlights of our continuing assistance to National Bank of Kazakhstan (NBK) include support for on-site examination of two medium-sized banks and one larger bank, delivery of 21 training sessions for 10 off-site staff (analysts) in IFRS accounting for bank examiners and analysts which focused on accounting of all major banking operations, and importantly, facilitation of high level consultations in Washington, DC which involved senior management of Federal Deposit Insurance Corporation (FDIC) and key decision makers from NBK and Kazakhstan Deposit Insurance Fund (KDIF) during which NBK and KDIF staff received technical assistance and advice, including an end of consultations debriefing and obtained theoretical and practical knowledge on resolution of troubled banks. Importantly, as well, consultations included a review of FDIC experience on bank liquidation and oversight and a detailed review of liquidation procedures in the US with the aim of improving relevant legislation and practice in Kazakhstan.

KZ Component 1: Public Financial Management & Economic Policy

Subcomponent 1.3: Public Sector Accounting Standards (IPSAS)

A. Progress/success against the work plan:

- As part of efforts to update public sector accounting and financial reporting methodology in line with the updated IPSASs, MEP consultant continued to provide technical assistance and advice on improving the accounting system;
- Working in close cooperation with the Department of Methodology of Budgetary Procedures, Ministry of Finance (MoF), MEP consultant continued to work on development of guidelines on accounting for income in accordance with IPSAS 23, "Revenue from non-exchange transactions." While working on the draft guidelines, MEP consultant held regular discussions with members of the MoF Working Group and during quarter draft guidelines on accounting for corporate incomes taxes and value added taxes were developed and submitted for consideration to the MoF Working Group;
- MEP continued work on translation of four new draft sections of the Conceptual Framework for public sector financial reporting (Preface, Elements and Recognition, Measurement, and Presentation). However, due to postponement of the posting of final publication of relevant sections of the Conceptual Framework on the IFAC web-site, MEP will need to continue revision and editing work once the final versions are issued.

B. Issues/Obstacles

- Lack of knowledge on use of accrual basis in accordance with IPSAS, as well as lack of experience and skills in applying the new accounting rules may cause difficulties in accounting and preparation of financial statements using accrual method.
- Lack of experience in preparation of accountants for government institutions in the implementation of IPSAS-compliant accrual-based accounting.

C. Donor Coordination

MEP continues to coordinate its activities with IMF representatives.

D. Major upcoming Activities (in next reporting period)

- In next reporting period, MEP will continue to provide technical assistance and advice on updating the methodology of public sector accounting and financial reporting, as well as to improve accounting system in line with updates to PSASs.
- With MEP assistance, the Department of Methodology of Budgetary Procedures will continue working on draft guidelines on accounting for budget revenues (tax revenues) on an accrual basis in accordance with IPSAS for the following types of taxes and mandatory payments to the budget:
 - Excise taxes,
 - Individual income tax,
 - Social tax,
 - Rent tax on exports,
 - Special fees and taxes imposed on subsoil-users,
 - Tax on vehicles,
 - Land tax,
 - Property tax;
 - Tax on gambling,
 - Fixed tax,
 - Single land tax,
 - Fees, including:
 - Registration fees,
 - Fees for passage of vehicles on territory of the Republic of Kazakhstan,
 - Auction fees,
 - License fee for right to engage in certain activities,
 - Payment for use of land resources,
 - Payment for use of surface water resources,
 - Payment for emissions into environment;
 - Payment for use of wildlife,
 - Payment for use of forest,
 - And other payments to the budget.
- As a part of efforts to harmonize accounting and budgetary accounting, MEP will continue providing consultative assistance on integration of financial and budget accounts with budget classification codes and corresponding entries in Unified Chart of Accounts.
- To ensure the updated status of materials needed for reforming the public sector accounting system, and placing them on the MoF web-site, MEP will continue translating into Russian and

revising translation of the IPSAS Handbook (in two volumes) as amended and updated as of 2014.

Subcomponent 1.4: Public Audit

A. Progress/success against the work plan:

- Due to resignation of the MEP Regional Public Audit Advisor, MEP, working in close cooperation with the Accounts Committee, invested substantial time and efforts in searching in-country labor market for an appropriate replacement candidate. This was done through newspaper and web-based advertisements, and as well through contacting known sources and pursuing recommendations.

B. Issues/Obstacles

- As indicated above, resignation of the MEP Regional Audit Advisor has affected MEP's ability to provide continuous assistance to the Accounts Committee.

C. Donor Coordination

- N/A.

D. Major upcoming Activities (in next reporting period)

- Once a new candidate is identified and vetted, in consultation with the Accounts Committee, a draft work plan will be developed (and finalized) which takes into account the needs of the Account Committee and the candidate's professional skills and capabilities.

Subcomponent 1.5: Development of Economic Strategies and Policies

A. Progress/success against the work plan:

- Working closely with the Director, USAID/Almaty Economic Development Office, efforts which had begun earlier in the second quarter to design, plan and host an international trade policy conference on 'Expanding Central and South Asia's Regional Trade' (Conference) were intensified in late March and continued throughout the quarter with the launch of an extensive participant/speaker solicitation campaign undertaken to deliver a successful outcome to this important work plan activity;
- MEP began by developing a detailed spreadsheet of potential participants and speakers based on extensive data mining and research efforts to identify the most appropriate audience for Conference -with the core of participants' pool identified being formed by representatives of trade-related government agencies and authorities, and organizations from Afghanistan, Tajikistan, Pakistan, India, Turkmenistan, Kyrgyzstan, and Uzbekistan;
- Based on above, MEP sent out official letters of invitation letters to identified participants and speakers which included officials and representatives from ministries of economy and trade, and other related ministries, chambers of commerce, business associations, investment and export promotion agencies, and as well from the donor community which formed the core of relevant technical expertise and knowledge of best trade practices;

- Concurrently MEP developed a Conference flyer which was sent out with official letters of invitation and supported by diplomatic notes from the US Embassy aimed at facilitating MEP's efforts at a high level;
- In addition to reaching out to identified pool of international participants and speakers, MEP simultaneously reached to the Government of Kazakhstan, and in specific to the Minister of Economic Integration (on the WTO issues), Ministry of Economy and Budget Planning (MEBP), Ministry of Industries and New Technologies (MINT), Ministry of Agriculture (MoA), Ministry of Transport and Communications (MTC), MEBP Trade Committee, MEBP Center for Trade Policy Development, MINT Industrial Development Institute, MINT Agency on Local Content Development, MINT Investment Committee, MINT KazNexInvest (National Agency on Export and Investment Promotion), MINT Industrial Committee, MINT Technical Regulation and Metrology Committee, MINT National Accreditation Center, MINT Metrology Institute, MINT Institute of Standardization and Certification, MTC Transport Control Committee, MTC Transport and Communications Committee, Customs Control Committee of the Ministry of Finance, MEBP Economic Research Institute, KazExportGarant, National Chamber of Entrepreneurs (NCE), DAMU Entrepreneurship Development Fund, Kazakhstan Forum of Entrepreneurs, Almaty Entrepreneurs' Association, Almaty and Astana chambers of commerce, Kazakhstan Franchising Association, Kazakhstan Association of Markets and Entrepreneurs, Kazakhstan Association of Customs Brokers, Kazakhstan Farming Support and Development Association, and Association of Industrial Technologies;
- In reaching out to participants and speakers from outside of Kazakhstan, MEP was required to navigate within the complex diplomatic and logistical process required to mobilize visa support for regional participants and speakers, which at times threatened the success of the Conference, and required MEP to work closely with the Republic of Kazakhstan Ministry of Foreign Affairs and Kazakh consulates in various of the regional countries from which participants and speakers were drawn;
- To attract regional trade experts and speakers from throughout Central and South Asia – one of the goals of the Conference, MEP undertook an expansive donor coordination campaign which included not only USAID-funded projects, but all donor projects and activities involved in trade policy development in Central and South Asia. Thus, to provide a broad platform for discussion of trade policy and an opportunity for all donors to reinforce their positions in the region, Conference announcements and flyers have been sent to World Bank, OSCE, ADB CAREC regional missions, GIZ, WTO, UN/UNDP/UNCTAD, UNITC, OECD, International Center for Trade and Sustainable Development (ICTSD);
- To realize on the breadth of trade policy discussions that are sought to be covered during Conference, MEP carried out comprehensive and detailed discussions and activities with donors and speakers, often negotiating and coordinating presentations until day before the opening of the Conference. As a consequence of this effort, 42 power point presentations, each on a separate regional trade-related topic were amassed for delivery by 30 different speakers;
- Working closely with the Director, USAID/Almaty Economic Development Office, MEP provided numerous inputs to and contributed significantly to design of the Conference and to finalization of the Conference agenda which went through numerous draft revisions over the nearly four-month long process involved in finalizing the list of speakers, a process which, with all too many last minute cancelations and changes, was concluded at end of the quarter - the day before the opening of the Conference;

- To facilitate participant involvement and provide participants with a copy of each speaker's presentation materials, MEP collected brief biographies and photographs from speakers and published an album of speakers for inclusion in the package of information to be provided each participant and arranged for compilation of CDs containing speaker presentations;
- During the course of Conference preparations, MEP held regular discussions with USAID and provided regular weekly updates advising on milestones and issues potentially affecting success of the Conference;
- In a separate work plan activity under this subcomponent, MEP worked cooperatively with the Association "Eurasian Economic Club of Scientists" to facilitate provision of financial and technical support to Astana Economic Forum (AEF) VII held in May 2014. As a result, a fixed obligation grant was awarded to the Association "Eurasian Economic Club of Scientists" in amount of \$143,200. Grant funding was targeted for use by the grantee to cover costs of (1) simultaneous translation in more than 50 events of AEF in which consecutive interpretation and language support was provided to nearly 50 delegations, and (2) a wide range of handout materials with a total circulation of 9,000 copies. MEP used this opportunity to promote USAID assistance and project activities among AEF participants.

B. Issues/Obstacles

- MEP encountered numerous issues and obstacles in efforts to successfully realize the goals and objectives of the Conference, including challenging visa support and often wavering speaker commitments which threaten to seriously affect participation in and the outcome of the Conference.
- MEP witnessed a substantial lack of responsiveness on behalf of the Kazakh Government, with none of the high-level policy makers in field of trade policy development and implementation having responded to an invitation to participate in the Conference, thus undermining an objective of the Conference (broad regional participation) and MEP efforts to bring counterpart high level officials from regional countries to participate in trade policy discussions (some regional officials having indicated an interest to attend but were reluctant to do so without the presence of corresponding representatives from Kazakhstan and other regional countries).
- MEP likewise witnessed very limited interest and considerable reluctance to cooperate by many within the donor community involved in trade-related activities in the region.

C. Donor Coordination

- MEP initiated an expansive donor outreach campaign to promote the Conference and coordinate donor efforts amongst major donors in region including World Bank, OSCE, ADB CAREC regional missions, GIZ, WTO, UN/UNDP/UNCTAD, UNITC, OECD, International Center for Trade and Sustainable Development (ICTSD).

D. Major upcoming Activities (in next reporting period)

- With cautious optimism, MEP looks forward to delivering/hosting a well-organized, well-attended and successful trade policy conference at the beginning of next reporting period, i.e., on July 1-2, 2014.

KZ Component 2: Regulation and Private Sector Development

Subcomponent 2.2: Business Road Map 2020

A. Progress/success against the work plan:

- In accordance with an approved work plan, MEP specialists visited East Kazakhstan oblast and Almaty and held meetings with regional chambers of entrepreneurs, producers of honey and copper products, and as well as with the Kazakhstan Union of Beekeepers and industry experts. Meetings were aimed to assess the export potential of the beekeeping industry in context of Kazakhstan joining the WTO. On the basis of information received, MEP will develop recommendations for Kazakh producers to meet the import requirements of both the Customs Union and European Union.
- In accordance with an additional work plan with National Chamber of Entrepreneurs (NCE), MEP assisted NCE in review of requirements set by control and supervisory authorities in certain business activity areas (industry, commerce, health care, sanitary and epidemiological safety, etc.). As such, MEP experts participated in the Working Group established under auspices of Ministry of Regional Development of Kazakhstan to develop recommendations to reduce requirements set by control and supervisory authorities, including those included in inspection checklists in all business activity areas. The Working Group is composed of representatives of NCE, and lawyers and experts from relevant departments and ministries of the Government of the Republic of Kazakhstan. Since the intention is to revoke scheduled inspections and to create a new concept for regulation of the activities of entrepreneurs, it is expected that requirements included in inspection checklists will be reduced to a minimum. During meetings of the Working Group, checklists are considered and reviewed with the aim of reducing and streamlining document and other requirements, including those for the production of documents issued by a state authority (for example, if a license is issued by a state authority it will no longer be required to present the license during an inspection since the state authority issuing the license has a list of licensees, etc.). As a result of this effort, NCE has reported that thus far 410 amendments and additions have been prepared to current legislation in the field of entrepreneurship, 239 of which are said to have been approved by the Interdepartmental Commission on improving the permit system under the Government of the Republic of Kazakhstan.

E. Issues/Obstacles

N/A

F. DonorCoordination

N/A

G. Major upcoming Activities (in next reporting period)

- Seminar on "Kazakhstan's accession to the WTO: Prospects for entrepreneurship" (in Almaty and in Astana);
- Seminar on "Export capacity of Kazakhstan producers in the WTO Context" (in Astana);
- Assistance to NCE in development of brochures, leaflets, process maps for entrepreneurs;
- Assistance to NCE in assembling into one library/learning resource center all existent analytical researches on SME development in Kazakhstan.

Subcomponent 2.4: Assistance to the National Bank of Kazakhstan (NBK)

A. *Progress/success against the work plan:*

- MEP Advisor continued to assist NBK's teams in on-site examinations of commercial banks and assisted in preparation of three final reports for banks examined during fourth quarter 2013 and first quarter 2014, including new metrics designed to communicate to banks requirements for prompt corrective action resulting from examination findings;
- MEP Advisor supported on-site examination of two medium sized banks and one major bank. Work included all CAMELS components, with main efforts focused on review of loan portfolios, liquidity indicators and earnings' ratios. Inspectors reviewed regulatory reporting, correcting disclosure of maturity buckets and past due loans. Examination included risks' identification, measurement, monitoring and control for all CAMELS components. Inspectors are continuing to support banks in preparation for implementation of the new Instruction on Risk Management by strengthening their internal controls, operational risk measurement tools and IT systems' capabilities. MEP Advisor continued to train examiners in newly developed methodologies for risks' management, planning and reporting.
- MEP Advisor assisted in preparation of two on-site examinations to be conducted in the second and third quarter of 2014. MEP Advisor participated in preparatory meetings with banks' external auditors, conducted review of banks' financial condition identifying emerging supervisory issues and disclosure concerns. In addition, Advisor began to support examiners in utilization of newly developed tool to capture bank's credit portfolio in order to stratify assets and to prepare portfolio samples for further review during on-site examination.
- MEP Advisor conducted 21 one and a half hour training sessions for off-site staff in IFRS Accounting application for bank examiners and analysts. 10 analysts (4 men and 6 women) participated in training focusing on accounting of all major banking operations. The course was conducted as a case study with full participation of analysts who were responsible for preparing daily trail balances, reports of condition and income and balance sheets, reflecting all changes in assets valuation, income and expense accrual and recognition and amortization of fixed assets. The training also included regulatory reporting requirement and prudential norms' calculation.
- MEP Advisor supported Statistics Department in design and automation of reports facilitating transfer from national standards to IFRS. Advisor assisted in review of output reports and prepared formulas for changes of calculating averages on the basis of daily inputs. This change will significantly improve calculation of yields and costs of main banking products allowing analysts and examiners better insight into banks' margins and spreads.
- MEP Advisor continued to assist in harmonization of CAMELS qualitative segments with the newly developed Instruction #29 on Risk Management. The review will also include lessons learned from previous examinations supporting the fine tuning of scoring of individual questions. The qualitative segment will be organized into four sections corresponding to the risk management system components of Instruction #29. The first section will evaluate the quality of written policies, procedures and processes, the second will assess their implementation, the third will test the qualifications of personnel, and the fourth will appraise the effectiveness of internal

controls and the internal audit responsible for ensuring implementation of all policies, procedures and processes.

- In June, MEP Advisors arranged high level consultations in Washington, DC with senior management at Federal Deposit Insurance Corporation (FDIC) for key decision makers from NBK and Kazakhstan Deposit Insurance Fund (KDIF). During a week-long period of consultations, NBK and KDIF staff received technical assistance and advice, including an end of consultations debriefing and obtained theoretical and practical knowledge on resolution of troubled banks. A review of FDIC experience on bank liquidation and oversight over detailed liquidation procedures in the US also took place with the aim of improving relevant legislation and practice in Kazakhstan. As a result, participants gained knowledge about procedures for recovery of troubled banks (Purchase and Assumption, Bail-in, etc.), bank liquidation and best international practices in protecting the rights of consumers of financial services.

B. Issues/Obstacles

- N/A

C. Donor Coordination

- MEP Advisor met with a member of the ADB Mission, Ms. Lotte Schouzibell, conducting a review of NPL workout program. Discussion included all aspects of on-site and off-site supervision and policy matters.

D. Major upcoming Activities (in next reporting period)

- Assistance will continue in line with the work plan.

KZ Component 3: Trade Policy

Subcomponent 3.1: Improve Trade Policies

A. Progress/success against the work plan:

- The excessive work load and demands on time and MEP specialist resources caused by the International Trade Policy Conference (see Subcomponent 1.5 above) forced MEP to delay and or postpone preparation and delivery of other trade-related activities including those under this Subcomponent to KazNexInvest. These activities involve delivery of a series of WTO-related trainings for KazNexInvest staff and regional exporters which were preliminarily scheduled for July 2014. As a consequence, it was mutually agreed with KazNexInvest to postpone the trainings to late August - early September 2014;
- Similarly, as with the above, MEP was caused to delay preparation and delivery of trade-related activities to Center for Trade Policy and Development (CTPD). These activities involve the provision of WTO-related brochures and trainings for CTPD staff, and with agreement of CTPD were delayed and are to start early in the next quarter, with the first delivery of brochures to occur by the end July 2014.

B. Issues/Obstacles

- As above, excessive work load demands on MEP specialist resources caused a delay in delivery of work plan activities involving trade-related assistance to KazNexInvest and CTPD;

C. Donor Coordination

- N/A

D. Major upcoming Activities (in next reporting period)

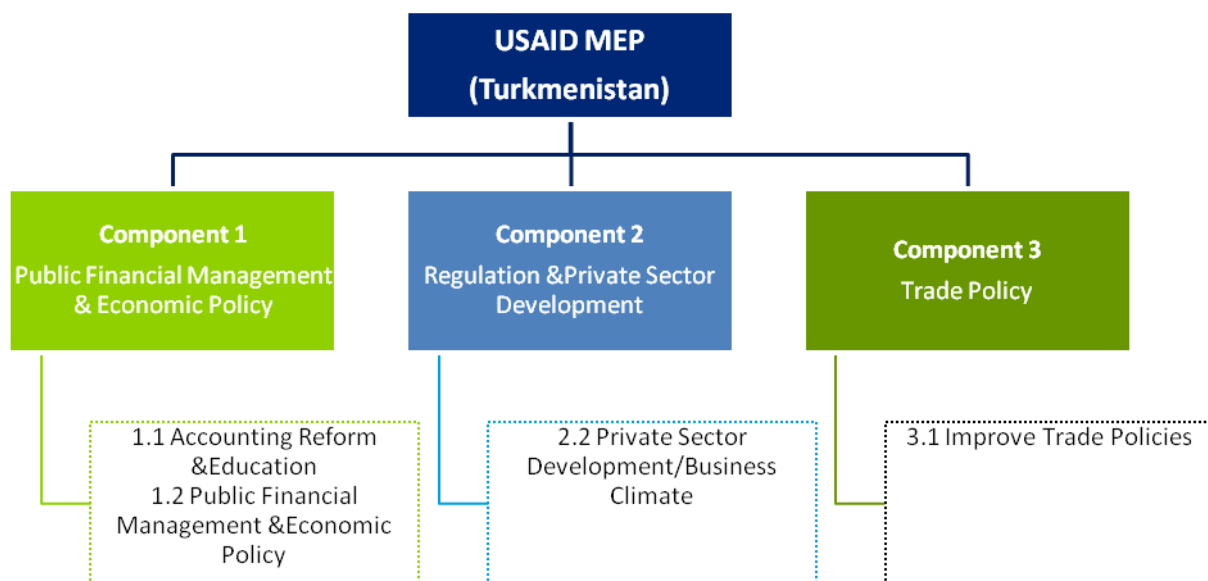
- MEP anticipates delivery of WTO-related trainings to KazNexInvest in late August - early September. Trainings will involve KazNexInvest staff and exporters which will be brought from the regions, and are designed to build participant capacity in areas involving trade remedies (trade defense measures), WTO dispute settlement mechanism, state supports and subsidies, export and investments promotion initiatives.
- MEP will recommence activities involving provision of WTO-related brochures and trainings to CTPD staff and anticipates delivery of the first brochures in July 2014;
- MEP plans to formalize a new work plan with CTPD for extension of WTO-related activities in 2014-2015.

III.MEP Turkmenistan

Country Overview

During third quarter MEP continued to experience as low response from Turkmen authorities regarding approvals for proposed work plan activities. Following discussion of the quarterly work planning and Turkmen approval process with representatives of USAID/Ashgabat, we will be tuning our approach to quarterly work planning in ways that we believe will be more effective and more efficient in both identifying proposed activities for Turkmen approval and responding to delayed/late approvals. Nevertheless, as detailed below, MEP continued to maintain active delivery of technical assistance across all key areas of our work plan. In addition, MEP continued off-site support for harmonization of five Russian-language WTO brochures to the Turkmen context and made proposals, via USAID and U.S. Embassy, for additional assistance to support next steps in Turkmenistan's continued effort in reaching a decision to accede to WTO.

During third quarter, MEP provided technical assistance to counterparts in technical areas in components and sub-components illustrated below:



Quarterly Overview

MEP completed development of a training manual on NFRS for SMEs, which in addition to previously MEP-developed training manuals on NFRS, became the final training manuals on NFRS for commercial enterprises and for budget organizations. To enhance the capacity of local training centers in using the new training manual in teaching NFRS to SMEs, MEP conducted a training of trainers (ToT) session on use of the new manual for 19 local trainers. In addition, MEP conducted a five-day seminar on NFRS for 20 accountants and financial experts of local insurance companies. The seminar covered main NFRS principles and placed special focus to NFRS Standard 29: "Insurance Contracts", which was developed by MEP in February 2014 and is anticipated to be adopted by the Government of Turkmenistan (GOTX) in July 2014.

As a logical continuation of the quantitative economic analysis course held during second quarter, MEP conducted a five-day training course on Sectoral Analysis for 14 economists from MOF, MOED, Central Bank, State Statistics Committee, and Institute for Strategic Planning and Development.

Other training activities included a six-day training course on Theory and Practice of International Trade Policy for officials of Ministry of Economy and Development, Institute of Strategic Planning and Economic Development, and Ministry of Foreign Affairs. The course was specifically designed to equip participants with theoretical and practical knowledge about conducting international trade policy.

With a number of additional training activities planned during next quarter, other activities included extensive technical assistance and support to the Union of Industrialists and Entrepreneurs (UoIE) to realize establishment of a national barcoding organization which will potentially join GS1; and, as well continued technical assistance and support in development of an International Labor Organization (ILO) compliant Directory of Advice and Assistance (DAA) to provide step-by-step guidelines on starting up a business in Turkmenistan.

TM Component 1: Public Financial Management & Economic Policy

Subcomponent 1.1: Accounting Reform and Education

A. Progress/success against the work plan:

- In March 2014, MEP completed development of guidance on preparing notes to accounts in accordance with National Financial Reporting Standards (NFRS) and handed it over to Ministry of Finance (MoF) for further distribution and public use. The document will be instrumental for both public and private sector accountants in the process of preparation and presentation of NFRS financial statements.
- In May 2014, we completed development of a training manual on NFRS for SMEs, which, in addition to previously MEP-developed training manuals on NFRS, became the final training manuals on NFRS for commercial enterprises and for budget organizations. Following development of training manual on NFRS for SMEs,, to enhance the capacity of local training centers in teaching NFRS for SMEs, MEP conducted a training of trainers (ToT) session for 19 local trainers on May 31, 2014.
- On June 16-20, 2014, MEP conducted a five-day seminar on NFRS for 20 accountants and financial experts of local insurance companies. The seminar covered main NFRS principles and placed special focus to NFRS Standard 29: "Insurance Contracts", which was developed by MEP in February 2014. The Government of Turkmenistan (GOTX) is in the final stage of reviewing the standard which is anticipated to be adopted in July.

B. Issues/Obstacles

- Lack of GOTX approvals for MEP-proposed technical assistance (TA) in areas of valuation and mass NFRS trainings caused MEP to reschedule activities in these areas for the next quarter.

C. Donor Coordination

N/A

D. Major upcoming Activities (in next reporting period)

- MEP is planning to continue mass NFRS trainings in the next quarter and has proposed such trainings to GOTX.
- We are also going to work with Union of Economists (UoE) to arrange professional development courses for valuers as has been requested by Ministry of Economy and Development of Turkmenistan (MOED).

Subcomponent 1.2: Public Financial Management and Economic***A. Progress/success against the work plan:***

- On March 31 – April 4, 2014, MEP conducted a five-day training course on Sectoral Analysis for 14 economists from MOF, MOED, Central Bank, State Statistics Committee, and Institute for Strategic Planning and Development. The course was a logical continuation of the quantitative economic analysis course held in February 2014 and included mostly the same group of participants. The course trained participants in sectoral and subsector analysis, impact assessments, quantitative and qualitative methods of sector studies, partial equilibrium analysis and introduced them to types of software best suited for conducting sectoral analysis modeling.

B. Issues/Obstacles

- Lack of GOTX approvals prevented MEP from arranging more activities under this subcomponent.

C. Donor Coordination

N/A

D. Major upcoming Activities (in next reporting period)

- MEP plans to conduct a five-day training event for Turkmen banks and MOF on investment banking and its role for effective privatization and capital markets development in early August 2014. The GOTX has already approved the event and MEP is currently mobilizing resources to conduct it.
- Subject to GOTX approval, MEP plans to conduct a training course on application of statistical and econometric techniques as part of Manufacturing/Industry Sector Studies for Turkmen economists as well as a course on application of quantitative models for monetary policy analysis for Central Bank economists.

TM Component 2: Regulation and Private Sector Development**Subcomponent 2.2: Private Sector Development / Business Climate*****A. Progress/success against the work plan:***

- During the period of March – June 2014, MEP intensified technical assistance to Union of Industrialists and Entrepreneurs (UoIE) for the purpose of assisting UoIE in establishing a national barcoding organization, which will potentially join GS1, a global barcoding organization. In particular, MEP facilitated communication between UoIE and GS1, and aided the process for UoIE to obtain information about barcoding systems and GS1 certification, and, as well, guidance from GS1 for establishing a national barcoding organization. MEP also arranged a study tour for UoIE staff to meet with officials of GS1 Kazakhstan on May 21-23, 2014 (with UoIE covering study tour-

related expenses of their staff) and accompanied them on the visit. Additionally, MEP engaged an international barcoding expert who prepared an assessment report that was submitted to UoIE which laid out at a high level a proposed action plan along with recommendations and details on internal and external tasks and initiatives that should be conducted by Turkmenistan in establishing a national association to administer barcodes and to achieve GS1 membership.

- Working jointly with International Labor Organization (ILO) and UoIE, MEP continued assistance in developing a Directory of Advice and Assistance (DAA) that will provide step-by-step guidelines on starting up a business in Turkmenistan and cover such topics as business registration, taxation, licensing, and day-to-day operations. To facilitate this effort, MEP engaged a regional ILO-certified consultant who obtained necessary formal approvals from ILO regional headquarter and provided methodology to design the DAA in accordance with ILO standards; and a local law firm to provide information related to Turkmenistan's legislation and regulations. The local law firm's inability to meet their obligations on time has forced MEP to move the target date for completion of this activity to next quarter.

B. Issues/Obstacles

- The main challenge under this subcomponent has been managing delivery of technical assistance to UoIE, which delivery has been adversely affected by UoIE staff's erratic and unpredictable behavior and propensity toward constantly changing deadlines and requesting assistance on very short notice.

C. Donor Coordination

N/A

D. Major upcoming Activities (in next reporting period)

In next reporting period, MEP plans to complete the DAA and to continue providing technical assistance to UoIE in introducing a barcoding system to Turkmenistan. MEP is also planning to deliver technical assistance to UoIE in introducing ISO standards to local private and public companies.

TM Component 3: Trade Policy

Subcomponent 3.1: Improve Trade Policies

A. Progress/success against the work plan:

- On June 23-28, 2014, MEP conducted a six-day training course on Theory and Practice of International Trade Policy for officials of Ministry of Economy and Development, Institute of Strategic Planning and Economic Development, and Ministry of Foreign Affairs. The course was designed to equip participants with theoretical and practical knowledge about conducting international trade policy.

B. Issues/Obstacles

Lack of GOTX approvals prevented MEP from arranging more activities under this subcomponent.

C. Donor Coordination

N/A

D. Major upcoming Activities (in next reporting period)

- MEP plans to conduct a professional development training course for professors of Turkmen State Institute of International Relations and/or Turkmen State Institute of Economics and Management on developing/improving their course materials on International Trade Policy (to also cover WTO-related issues). The course has been approved by GOTX and is anticipated to be held in mid-July.
- MEP will also complete a review of existing legal measures and policies affecting trade in services and opportunities to increase trade in services under WTO accession. Under this activity, policies regulating to most favored national treatment, market access and national treatment of trade in services will be assessed by mode of supply. The work will be conducted by MEP project specialists and MEP engaged local lawyers. The outcomes of this research will allow GOTX to identify services sectors and subsectors that will benefit most from WTO accession, as well as services sectors that will need to undergo certain adjustments in order to avoid adverse impacts of WTO accession. This would also allow Turkmenistan to formulate better positions during bilateral negotiations on services during the accession process.